

# TEACHERS' RETIREMENT SYSTEM



STEVE BULLOCK, GOVERNOR

[www.trs.mt.gov](http://www.trs.mt.gov)

STATE OF MONTANA

1500 EAST SIXTH AVENUE  
PO BOX 200139  
HELENA, MONTANA 59620-0139

1-866-600-4045  
406-444-3134

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Contact: Roxanne Minnehan, PERS  
(406) 444-3134  
[rminnehan@mt.gov](mailto:rminnehan@mt.gov)

Emma MacKenzie, TRS  
(406) 444-0139  
[emackenzie@mt.gov](mailto:emackenzie@mt.gov)

### Montana Public Retirement Plans post 17.38% Return on Investments in 2013

**Helena, MT** – The net investment return on the public pension funds for calendar year 2013 was 17.38%. The Montana Public Retirement Plans provide benefits to over 35,000 individuals including retired state and local government employees, firefighters, game wardens, highway patrol officers, judges, police officers, sheriffs, volunteer firefighters, teachers and their beneficiaries. Total investments for the nine plans were worth \$9.3 billion as of December 31, 2013.

The Montana Board of Investments has invested wisely and the public pension funds met or exceeded expectations in 2013. As a case in point, the 2013 return is more than twice the 7.75% assumed rate of return adopted by the underlying retirement plans for actuarial valuation purposes.

There has recently been a fair amount of scrutiny surrounding the appropriate assumed rate of return used by public pension plans for valuation purposes. It is worth noting that according to National Association of State Retirement Administrators, in 2013 the national average public pension plan assumed rate of return was 7.72% with 8.0% being the most predominant assumption utilized by the 126 public pension plans surveyed.

According to State Street, the custodian for Montana's eight defined benefit plans' assets, the actual net rate of return from 1994 to 2013 was 7.81%. Simply put, the long term actual rate of return of investments is slightly higher than the actuarial assumed rate of return utilized in the System's valuation.

The goal of the two Boards that govern the public pension funds (the Public Employees' Retirement Board and the Teachers' Retirement Board) is to set the assumed rate of return at a level that is estimated to be attainable over 20, 30, or more years. These practices allow the funds to pool and smooth investment outcomes and provide secure, lifelong post-retirement benefits for their members.

Investment return assumptions that are too low overstate the current liabilities of the system which may cause current employers, employees and taxpayers to be overcharged in order to fund the system's liabilities in 30

years or less. Investment return assumptions that are too high understate the current liabilities of the system which may cause future employers, employees and taxpayers to be overcharged in order to fund the system's liabilities in 30 years or less.

Although there is no way to know for sure what the actual investment return will be over the next twenty or more years, we do know that actuarial assumptions are based on actual data and professional experience. We can also clearly see that the current assumption came very close to hitting its mark based on the past twenty years of investment experience.

Roxanne Minnehan  
Executive Director  
MPERA

Shawn Graham  
Executive Director  
TRS

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